

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6618

BILL NUMBER: HB 1105

NOTE PREPARED: Feb 21, 2008

BILL AMENDED: Feb 19, 2008

SUBJECT: Various Public Safety Matters.

FIRST AUTHOR: Rep. Tincher

FIRST SPONSOR: Sen. Bray

BILL STATUS: As Passed Senate

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) This has the following provisions.

Conservation Officer Retirement- The bill: (1) increases to 65 years of age (from 60 years of age) the mandatory retirement age for a participant in the Excise Police, Gaming Agent, and Conservation Enforcement Officers' Retirement Plan (Plan); (2) caps the plan's annual retirement allowance at 75% of the participant's average annual salary; (3) establishes a Deferred Retirement Option Plan (DROP) for plan participants;

Law Enforcement Basic Training- The bill requires a law enforcement officer who: (1) has less than 25 years experience as a law enforcement officer; and (2) has not been employed as a law enforcement officer in the 10 years before being hired as a law enforcement officer; to repeat the full basic training course in order to regain law enforcement powers. The bill provides that a law enforcement officer who has at least 25 years experience as a law enforcement officer is not required to repeat the full basic training course but is required to attend a refresher course and a pre-basic training course to regain law enforcement powers.

Transfer of Property- The bill provides that a governmental body may transfer property to the board of fire trustees of a fire protection district or the provider unit of a fire protection territory under the same circumstances that property may be transferred to a volunteer fire department;

Transfer of Funds- The bill provides that a participating unit in a fire protection territory may transfer any money belonging to the participating unit to the fire protection territory fund, the fire protection territory equipment replacement fund, or both funds. The bill legalizes any transfer of money from a participating unit to a fire protection territory before July 1, 2008.

Return of Transferred Property- The bill provides that when a fire protection territory dissolves, title to any real property transferred to the provider unit reverts to the participating unit that transferred the real property to the provider unit.

Fire Department Consolidation: The bill provides that on January 1, 2009, the fire departments of all of the following are consolidated into the fire department of the consolidated city:

- (1) The townships in the county containing the consolidated city.
- (2) A fire protection territory in the county containing the consolidated city.

It also provides that after December 31, 2008, the consolidated fire department provides fire protection services throughout the county with the exception of the excluded cities.

The bill provides that the consolidation of fire departments results in the transfer of property, equipment, records, rights, contracts (including labor contracts), and indebtedness. It provides that a firefighter who is a member of the 1937 or 1977 fund remains a member of the same fund after the consolidation. The bill requires the consolidated fire department to develop a strategic plan to determine resource requirements and resource deployments for the consolidated fire department.

Emergency Responder: The bill requires the mayor of the consolidated city to establish a professional standards board with responsibility after December 31, 2008, for establishing, validating, and maintaining emergency responder certification and credentialing requirements and procedures. It provides that the requirements and procedures must be in accordance with the National Incident Management System and appropriate national professional standards and certification organizations and boards. It also specifies that a subcommittee of the professional standards board, under the direction of a board-certified emergency physician, is responsible for certification and credentialing of emergency medical responders.

Property Tax: The bill exempts from the property tax levy limits any amounts imposed by the consolidated city or the county to fund former township indebtedness. It establishes a maximum property tax levy for the consolidated city for property taxes payable in 2009, 2010, and 2011 that is the sum of the city's 2009 maximum levy plus the combined amounts levied in 2008 by the townships, fire protection territory, and included towns for firefighting.

County Option Income Tax: It adjusts the county option income tax distributive shares of the townships and the consolidated city and county.

Cumulative Building and Equipment Fund: The bill specifies that the balance in the cumulative building and equipment fund for fire protection and related services of each entity whose fire department is consolidated into the fire department of the consolidated city be transferred to the consolidated city's cumulative building and equipment fund for fire protection and related services.

Effective Date: Upon passage; July 1, 2008.

Explanation of State Expenditures: *Conservation Officer Retirement:* This bill (1) increases to 65 years of age (from 60 years of age) the mandatory retirement age for a participant in the Excise Police, Gaming Agent, and Conservation Enforcement Officers' Retirement Plan; (2) caps the plan's annual retirement allowance at 75% of the participant's average annual salary; and (3) establishes a Deferred Retirement Option Plan (DROP) for plan participants. These parts will have the following impact.

Parts (1) and (2) would reduce costs because (A) there is a longer time over which to fund benefits, (B) benefits would be limited whereas they are not currently, and (C) retirements prior to age 65 (assuming a participant is not eligible for either the age 50 with 25 years of retirement or the Rule of 85 retirement) would be smaller since the retirement reduction factor would be larger.

The bill results in a decrease in unfunded accrued liability requiring decreased annual funding and resulting in an increase in the funded status of the Excise Plan as shown in the following table.

Change In Unfunded Accrued Liability	(\$4.09 M)
Change in Annual Funding (in dollars)	(\$510,000)
Change in Annual Funding (as % of pay)	(3.00%)
Increase in Funded Status	From 77.1% to 81.6%

(3) Establishing the DROP for plan participants is actuarially cost neutral because the participants sacrifice credited service while in the DROP, participants must continue making contributions while in the DROP, and the employer must continue to fund for participants in the DROP.

The Public Employees' Retirement Fund, administrators of the Excise Police, Gaming Agent, and Conservation Enforcement Officers' Retirement Plan, has estimated administrative costs for implementation of this proposal at \$100,000. The fund affected is the PERF administrative fund.

Law Enforcement Basic Training- If more law enforcement officers had to take a refresher course in lieu of re-taking an entire basic training course, there could be a net savings to state expenditures. However, the actual impact would depend on the number of persons attending refresher courses under the bill. The bill does not provide an appropriation. Therefore, any additional training would have to be carried out within the existing budgeted resources of the state Law Enforcement Training Academy (LETA).

(Revised) *Department of Local Government Finance (DLGF):* The DLGF may incur additional expenses to adjust the maximum permissible property tax rate and levy. These functions are within the current scope of agency work.

Background Information- The LETA will receive budgeted appropriations totaling \$8.8 M during the current biennium. Appropriations are from the state General Fund and dedicated traffic court fee revenues. The LETA estimates a cost per student of \$6,435 to attend the LETA, which includes meals, lodging, ammunition, and other training costs. Approximately 400 to 450 recruits attend the basic law enforcement course at the LETA each year.

Explanation of State Revenues:

Explanation of Local Expenditures: *Law Enforcement Basic Training-* Board-certified training centers, such as the Indianapolis Metropolitan Police Department facility, may experience a net savings in expenditures if additional officers were only required to have a refresher course instead of retaking the basic training course. Any additional training under this provision would have to be carried out within existing resources. The specific impact to local expenditures would depend on the facility and the number of

additional officers that are trained.

Transfer of Property- Any local government entity with the ability to sue or be sued would be allowed to sell or transfer real, tangible, or intangible property, licenses, or interests therein to a fire protection district or territory. (Under current law, such sales or transfers as these are allowed to volunteer fire departments.)

The bill would permit a sale or transfer to occur without meeting the requirements for the transfer of real property by a political subdivision under current law. The current requirements to complete the sale or transfer of real property are receiving appraisals, publishing notices describing the conditions of, and engaging in a bid process on the real property to be sold or transferred. The impact to local expenditures would depend on the number of transfers of property, licenses, or interests made by local government entities.

Transfer of Funds- Units transferring money to a fire protection territory fund or a fire protection territory equipment fund would not be able to expend that money for other governmental purposes. In order to make a transfer to either fund, a unit would have to pass either an ordinance or resolution.

(Revised) *Fire Department Consolidation (Summary):* Fire protection services are to be transferred to the county from townships, included towns, and fire protection districts. If the county can perform or contract for the performance of the duties and administrative functions of the consolidating entity governments more efficiently, cost savings will result. Increased expenditures in the bill include one-time costs for transferring records, assets, and personnel, and establishing standards for emergency responders.

(Revised) *Background and Additional Details:*

Fire Protection Districts and Territories: As of December 21, 2007, in 89 out of 92 counties, there were 54 fire protection districts or territories with total certified levies equal to \$17.8 M.

Fire Department Consolidation: The consolidated fire department is to develop a strategic plan to determine the resource requirements and deployments based on risk assessment models promulgated by the Center for Public Safety Excellence, Inc. or its successor. Any efficiency gained by consolidation of the fire departments will depend on the resource requirements and deployments enacted.

Assignment of Property and Debt: The consolidated fire department is to assume or receive the personnel, agreements with labor organizations, indebtedness related to fire protection services, and merit board duties. The consolidated city is to assume the powers, duties, agreements, and liabilities of bonds or other indebtedness. Any property, equipment, records, rights, and contracts are to be conveyed to the consolidated fire department, except equipment that is jointly used by the civil government and the fire department which remains the property of the township but may be used by the fire protection services.

In addition, all township fire-related debt is to be assigned to the consolidated city. The 2007 total township fire-related debt levy was \$1.9 M. Under the bill, the city may not assume any amount of debt that would cause the consolidated city's total debt to exceed the current 2% debt limit, which equals 2% of 1/3 of the consolidated city's assessed valuation.

Pension: After a consolidation, members of the 1937 Fund are to remain members of the 1937 Fund and members of the 1977 Fund are to remain members of the 1977 Fund. This should result in no fiscal impact.

Other Provisions: The consolidation has no effect upon a party with a cause of action against a consolidating entity before July 1, 2008. A merit or permanent member of a consolidating entity with a rank below captain is to maintain the rank the merit or permanent member had on the last day of employment by the consolidating entity. A member of a consolidating entity is not required to live in the consolidated city, the county having a consolidated city, or a contiguous county.

Fire Service Information: There are approximately 35 fire stations in the eight suburban townships of Marion County.

Included Towns: The included towns include Clermont, Crows Nest, Cumberland, Homecroft, Meridian Hills, North Crows Nest, Rocky Ripple, Spring Hill, Warren Park, Williams Creek, and Wynnedale.

Township Fire Levy and Budget Information: The eight suburban townships of Marion County had the following certified budgets, and levies in CY 2007 with respect to fire-related funds.

CY 2007 Township Fire Budgets and Levies						
	Fire Operations		Cumulative Fire		Fire Debt	
Township	Budget	Levy	Budget	Levy	Budget	Levy
Decatur	5,614,757	3,815,964	224,143	267,354	419,131	383,314
Franklin	9,423,586	5,113,984	400,000	413,800	1,136,423	1,481,739
Lawrence	11,827,384	7,805,609	1,500,000	833,453	-	-
Perry	10,939,865	7,045,401	603,300	721,459	-	-
Pike	14,575,953	11,594,734	1,479,050	664,880	-	-
Warren	11,082,649	8,132,867	1,333,022	790,622	-	-
Washington	-	-	-	-	-	-
Wayne*	21,538,740	17,848,830			1,501,084	757,610
Total	85,002,934	61,357,389	5,539,515	3,691,568	3,056,638	2,622,663
*Special Fire Protection Territory						

CY 2007 Township Fire Budgets and Levies				
	Fire Pension		Total	
Township	Budget	Levy	Budget	Levy
Decatur	-	-	6,258,031	4,466,632
Franklin	-	-	10,960,009	7,009,523
Lawrence	-	-	13,327,384	8,639,062
Perry	576,615	146,846	12,119,780	7,913,706
Pike	-	-	16,055,003	12,259,614
Warren	355,571	-	12,771,242	8,923,489
Washington	-	-	-	-
Wayne*	-	-	23,039,824	18,606,440
Total	932,186	146,846	94,531,273	67,818,466
*Special Fire Protection Territory				

Explanation of Local Revenues: (Revised) *Cumulative Fire Building Fund:* Cash balances remaining in the joining entities' fire cumulative funds on the consolidation date would be transferred to the consolidated city's cumulative fire fund.

Debt: The consolidated city is to assume township indebtedness or lease rental obligations for fire services. The consolidated city not assume indebtedness that will exceed the limitations on the amount of indebtedness the consolidated city may incur. Any balance in the township fire debt fund is to transfer to the county and may be used by the county to pay the indebtedness or lease rentals for which the fund was established.

Maximum Levies: For ad valorem property taxes first due and payable in 2009, 2010, and 2011, the consolidated city's maximum levy is to be the sum of the consolidated city's 2009 maximum levy under current law, combined with the 2008 firefighting levies for all of the townships. The consolidated city's maximum levy would, in essence, be frozen for in 2010 and 2011. The consolidating unit maximum levies would be reduced by the amount attributable to fire services.

(Revised) *COIT Revenue:* The bill would redirect \$10.6 M of the eight outer townships' shares of revenue from the County Option Income Tax (COIT) to Indianapolis and Marion County. Center Township would not be affected.

State Agencies Affected: Public Employees' Retirement Fund as administrators of the State Excise Police, Gaming Agent, and Conservation Enforcement Officers' Retirement Fund; Department of Natural Resources; Law Enforcement Training Academy; Department of Local Government Finance; LSA.

Local Agencies Affected: Civil taxing units within a fire protection territory; municipalities with a Board-approved law enforcement training facility; Marion County; townships in Marion County; fire

protection territories in Marion County; included towns in Marion County.

Information Sources: LOGODABA; Doug Todd of McCready & Keane, Inc., actuaries for PERF and the PERF-managed funds, 317-576-1508; Rusty Goodpaster, Director, Indiana Law Enforcement Training Academy; Micheal Crider, Department of Natural Resources; David Heath, Alcohol & Tobacco Commission.

Fiscal Analyst: Chris Baker, 317-232-9851; James Sperlik, 317-232-9866; Bob Sigelow, 317-232-9859.

DEFINITIONS

Funded Status The ratio of the assets of a pension plan to its liabilities.

Funding A systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.

Unfunded Actuarial Liability -The actuarial liability, sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability as that time over the value of its cash and investments.